Dr Kenneth Kaunda District Municipality
Annual Financial Statements
for the year ended 30 June 2019
Auditor General of South Africa
Registered Auditors

General Information

Legal form of entity	Municipality
Mayoral committee	
Executive Mayor	ABE Mosiane
Speaker	DP Masui
Chief Whip	NM Koloti
Chairperson MPAC	NG Adoons - Till 16 May 2019
	GA Mohoemng - From 01 June 2019
Mayoral Committee	MM Mohaji (Corporate Services and Administration)
	ZE Mphafudi (Sport, Arts and Culture)
	SP Valiphathwa (Public Works and Transport)
	M Zephe (Financial Services)
	MI Martins (Health and Social Services & Disaster Risk Management)
	HN Mbele (District Economic Development)
Part-Time Councillors	CJ Coetzer IM Groenewald EM Postma D Gwili B Tsabedze HF Saudi LM Lebenuya - Kortjaas LL Cutswa SL Moremi SL Mondlane K Ndincede JJ Le Grange CJ Bester ME Mosweu AS Motladile PZ Lesomo G Mosenogi P Morulane SF Du Toit LS Mokgalagadi GA Mohoemang MN Ntuli AOP Phutiyagae
Directly Elected Councillors	KL van Zyl LS Motlhoiwa BAS Campbell-Cloete WA Mostert LN Dayiya SV Letshwiti FJ Botha
Accounting Officer	SM Lesupi (Municipal Manager)
Chief Finance Officer (CFO)	T Ngqobe - Acting
Registered office	Civic Centre Patmore Road Orkney 2620
Business address	Civic Centre Patmore Road Orkney 2620

General Information

Postal address	Private Bag X5017 Klerksdorp 2570
Bankers	ABSA
Auditors	Auditor General of South Africa Registered Auditors

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The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

The accounting officer acknowledges that she is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality’s business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavors to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behavior are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality’s cash flow forecast for the year to 30 June 2020 and, in the light of this review and the current financial position, she is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality is wholly dependent on the Government grants for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern and that the Council has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

Although the accounting officer are primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 5.

The annual financial statements set out on page 5, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2019 and were signed on its behalf by:

Accounting Officer
SM Lesupi

Accounting Officer's Report

The accounting officer submits her report for the year ended 30 June 2019.

1. Review of activities

Main business and operations

The municipality is engaged in providing municipal services.

The operating results and state of affairs of the municipality are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

2. Going concern

We draw attention to the fact that at 30 June 2019, the municipality had an accumulated surplus (deficit) of R 30 985 314 and that the municipality's total liabilities exceed its assets by R 30 985 314.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

3. Subsequent events

The Accounting Officer is not aware of any matter or circumstance arising since the end of the financial year.

4. Accounting policies

The annual financial statements prepared in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

5. Corporate governance

General

The accounting officer is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the accounting officer supports the highest standards of corporate governance and the ongoing development of best practice.

The municipality confirms and acknowledges its responsibility to total compliance with the Code of Corporate Practices and Conduct ("the Code") laid out in the King Report on Corporate Governance for South Africa 2002. The Accounting Officer discuss the responsibilities of management in this respect, at Board meetings and monitor the municipality's compliance with the code on a three monthly basis.

6. Interest in controlled entities

Name of controlled entity	Shareholding
Dr Kenneth Kaunda District Economic Development Agency	100%

Details of the municipality's investment in controlled entities are set out in note 5.

7. Auditors

Auditor General of South Africa will continue in office for the next financial period.

The annual financial statements set out on page 5, which have been prepared on the going concern basis, were approved by the accounting officer on 30 November 2019 and were signed on its behalf by:

Accounting Officer
SM Lesupi

Statement of Financial Position as at 30 June 2019

Figures in Rand	Note(s)	2019	2018
Assets			
Current Assets			
Receivables from exchange transactions	8	572 812	822 282
Receivables from non-exchange transactions	9	339 794	1 046 521
VAT receivable	10	5 917 594	5 986 382
Cash and cash equivalents	11	33 417 320	9 761 418
		40 247 520	**17 616 603**
Non-Current Assets			
Property, plant and equipment	3	24 823 739	28 892 078
Intangible assets	4	649 458	1 553 791
Other financial assets	6	120	120
		25 473 317	**30 445 989**
Total Assets		**65 720 837**	**48 062 592**
Liabilities			
Current Liabilities			
Finance lease obligation	13	-	48 180
Operating lease liability		153 600	148 800
Payables from exchange transactions	15	18 119 590	22 583 564
Payables from non exchange transactions	16	582 816	856 212
Post retirement medical aid liability	7	263 017	445 876
Unspent conditional grants and receipts	14	1 163 577	1 020 892
Long service awards liability		509 750	221 307
		20 792 350	**25 324 831**
Non-Current Liabilities			
Post retirement medical aid liability	7	11 027 037	11 046 317
Long service awards liability		2 916 136	3 003 502
		13 943 173	**14 049 819**
Total Liabilities		**34 735 523**	**39 374 650**
Net Assets		**30 985 314**	**8 687 942**
Accumulated surplus	12	30 985 314	8 687 942

Statement of Financial Performance

Figures in Rand	Note(s)	2019	2018
Revenue			
Revenue from exchange transactions			
Sale of tender documents		44 920	29 590
Commissions received		11 679	10 590
Other income		149 945	-
Licensing and permits		395 518	313 490
Interest received - investment	17	3 595 948	2 771 556
Dividends received	17	-	2 250
Total revenue from exchange transactions		**4 198 010**	**3 127 476**
Revenue from non-exchange transactions			
Transfer revenue			
Government grants & subsidies	19	185 028 569	179 654 322
In kind benefits received		-	117 480
Other transfer income		-	195 319
Total revenue from non-exchange transactions		**185 028 569**	**179 967 121**
Total revenue		**189 226 579**	**183 094 597**
Expenditure			
Employee related costs	20	(88 928 290)	(87 581 740)
Remuneration of councillors	21	(9 850 183)	(9 620 365)
Depreciation and amortisation	22	(7 760 118)	(8 907 712)
Finance costs	23	-	(848 701)
Debt Impairment	24	-	(121 331)
Contracted services	25	(33 201 471)	(43 519 475)
Transfers and Subsidies	18	(4 786 746)	(5 379 990)
General Expenses	26	(24 138 839)	(29 411 603)
Total expenditure		**(168 665 647)**	**(185 390 917)**
Operating surplus (deficit)		**20 560 932**	**(2 296 320)**
Gain on disposal of assets and liabilities		7 683	510 275
Actuarial gains/losses	7	-	769 420
Loss on non-current assets held for sale or disposal groups		(959 539)	(1 433 771)
		(951 856)	**(154 076)**
Surplus (deficit) for the year		**19 609 076**	**(2 450 396)**

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	12 505 408	12 505 408
Adjustments		
Correction of errors	(1 676 738)	(1 676 738)
Balance at 01 July 2017 as restated*	**10 828 670**	**10 828 670**
Changes in net assets		
Other 1	(1 278 503)	(1 278 503)
Net income (losses) recognised directly in net assets	(1 278 503)	(1 278 503)
Surplus for the year	(2 450 396)	(2 450 396)
Total recognised income and expenses for the year	(3 728 899)	(3 728 899)
Other 1	1 588 171	1 588 171
Total changes	(2 140 728)	(2 140 728)
Balance at 01 July 2018	**9 966 447**	**9 966 447**
Changes in net assets		
Prior year error	1 409 791	1 409 791
Net income (losses) recognised directly in net assets	1 409 791	1 409 791
Surplus for the year	19 609 076	19 609 076
Total recognised income and expenses for the year	21 018 867	21 018 867
Total changes	21 018 867	21 018 867
Balance at 30 June 2019	**30 985 314**	**30 985 314**

Note(s)

Cash Flow Statement

Figures in Rand	Note(s)	2019	2018
Cash flows from operating activities			
Receipts			
Governmnet Grants and Subsidies		185 290 145	178 821 258
Interest income		3 595 948	2 771 556
Dividends received		-	2 250
Cash receipts form charges for goods and services		-	369 331
		188 886 093	181 964 395
Payments			
Employee costs		(88 929 352)	(86 616 609)
Suppliers		(31 295 268)	(40 105 536)
Finance costs		-	(564 088)
Cash payments to suppliers for goods and contracted services		(34 257 279)	(43 126 192)
Remuneration of Councillors		(9 850 183)	(9 620 365)
		(164 332 082)	(180 032 790)
Net cash flows from operating activities	29	**24 554 011**	**1 931 605**
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(3 228 788)	(5 396 303)
Proceeds from sale of property, plant and equipment	3	1 023 184	5 879 706
Purchase of other intangible assets	4	(61 566)	(816 521)
Proceeds from sale of financial assets		-	62 737
Other cash item		1 216 164	-
Net cash flows from investing activities		**(1 051 006)**	**(270 381)**
Cash flows from financing activities			
Movement in long service awards liability		201 077	-
Finance lease payments		(48 180)	(721 824)
Net cash flows from financing activities		**152 897**	**(721 824)**
Net increase/(decrease) in cash and cash equivalents		**23 655 902**	**939 400**
Cash and cash equivalents at the beginning of the year		9 761 418	8 822 018
Cash and cash equivalents at the end of the year	11	**33 417 320**	**9 761 418**

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Sale of goods	-	-	**-**	44 920	**44 920**	
Commissions received	-	-	**-**	11 679	**11 679**	
Other income 1	-	-	**-**	149 945	**149 945**	
Other farming income 1	108 000	-	**108 000**	395 518	**287 518**	
Interest received - investment	2 380 000	-	**2 380 000**	3 595 948	**1 215 948**	
Total revenue from exchange transactions	**2 488 000**	**-**	**2 488 000**	**4 198 010**	**1 710 010**	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants & subsidies	184 644 000	-	**184 644 000**	185 028 569	**384 569**	
Total revenue	**187 132 000**	**-**	**187 132 000**	**189 226 579**	**2 094 579**	
Expenditure						
Personnel	(98 519 000)	-	**(98 519 000)**	(88 929 352)	**9 589 648**	
Remuneration of councillors	(9 372 000)	-	**(9 372 000)**	(9 850 183)	**(478 183)**	
Depreciation and amortisation	(5 013 000)	-	**(5 013 000)**	(7 760 118)	**(2 747 118)**	
Bulk purchases	(3 429 000)	-	**(3 429 000)**	-	**3 429 000**	
Contracted Services	(44 799 000)	-	**(44 799 000)**	(33 510 649)	**11 288 351**	
Transfers and Subsidies	(5 751 000)	-	**(5 751 000)**	(4 786 746)	**964 254**	
General Expenses	(20 780 000)	-	**(20 780 000)**	(23 747 690)	**(2 967 690)**	
Total expenditure	**(187 663 000)**	**-**	**(187 663 000)**	**(168 584 738)**	**19 078 262**	
Operating surplus	**(531 000)**	**-**	**(531 000)**	**20 641 841**	**21 172 841**	
Gain on disposal of assets and liabilities	-	-	**-**	7 683	**7 683**	
Loss on non-current assets held for sale or disposal groups	-	-	**-**	(959 539)	**(959 539)**	
	-	**-**	**-**	**(951 856)**	**(951 856)**	
Surplus before taxation	**(531 000)**	**-**	**(531 000)**	**19 689 985**	**20 220 985**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**(531 000)**	**-**	**(531 000)**	**19 689 985**	**20 220 985**	
Reconciliation						

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Receivables from exchange transactions	-	-	**-**	572 812	**572 812**	
Receivables from non-exchange transactions	873 411	-	**873 411**	339 794	**(533 617)**	
VAT receivable	-	-	**-**	5 917 594	**5 917 594**	
Cash and cash equivalents	30 541 937	-	**30 541 937**	33 417 320	**2 875 383**	
	31 415 348	**-**	**31 415 348**	**40 247 520**	**8 832 172**	
Non-Current Assets						
Property, plant and equipment	29 389 000	-	**29 389 000**	24 871 919	**(4 517 081)**	
Intangible assets	1 479 483	-	**1 479 483**	649 458	**(830 025)**	
Other financial assets	-	-	**-**	120	**120**	
	30 868 483	**-**	**30 868 483**	**25 521 497**	**(5 346 986)**	
Total Assets	**62 283 831**	**-**	**62 283 831**	**65 769 017**	**3 485 186**	
Liabilities						
Current Liabilities						
Operating lease liability	-	-	**-**	153 600	**153 600**	
Payables from exchange transactions	29 956 000	-	**29 956 000**	18 119 590	**(11 836 410)**	
Taxes and transfers payable (non-exchange)	-	-	**-**	582 816	**582 816**	
Post retirement medical aid liability	-	-	**-**	263 017	**263 017**	
Unspent conditional grants and receipts	-	-	**-**	1 163 577	**1 163 577**	
Long service awards liability	545 615	-	**545 615**	509 750	**(35 865)**	
	30 501 615	**-**	**30 501 615**	**20 792 350**	**(9 709 265)**	
Non-Current Liabilities						
Post retirement medical aid liability	15 589 000	-	**15 589 000**	11 027 037	**(4 561 963)**	
Long service awards liability	178 000	-	**178 000**	2 916 136	**2 738 136**	
	15 767 000	**-**	**15 767 000**	**13 943 173**	**(1 823 827)**	
Total Liabilities	**46 268 615**	**-**	**46 268 615**	**34 735 523**	**(11 533 092)**	
Net Assets	**16 015 216**	**-**	**16 015 216**	**31 033 494**	**15 018 278**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	16 015 216	-	**16 015 216**	31 033 494	**15 018 278**	

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements are prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements are prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.2 Going concern assumption

These annual financial statements are prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.3 Materiality

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor.

Assessing whether an omission or misstatement could influence decisions of users, and so be material, requires consideration of the characteristics of those users. The Framework for the Preparation and Presentation of Financial Statements states that users are assumed to have a reasonable knowledge of government, its activities, accounting and a willingness to study the information with reasonable diligence. Therefore, the assessment takes into account how users with such attributes could reasonably be expected to be influenced in making and evaluating decisions.

1.4 Consolidation

Basis of consolidation

Consolidated annual financial statements are the annual financial statements of the municipality presented as those of a single entity.

The consolidated annual financial statements incorporate the annual financial statements of the controlling entity and all controlled entity, including special purpose entities, which are controlled by the controlling entity.

Consolidated annual financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

Control exists when the controlling entity has the power to govern the financial and operating policies of another entity so as to obtain benefits from its activities.

The revenue and expenses of a controlled entity are included in the consolidated annual financial statements from the transfer date or acquisition date as defined in the Standards of GRAP on Transfer of functions between entities under common control or Transfer of functions between entities not under common control. The revenue and expenses of the controlled entity are based on the values of the assets and liabilities recognised in the controlling entity's annual financial statements at the acquisition date.

The annual financial statements of the controlling entity and its controlled entities used in the preparation of the consolidated annual financial statements are prepared as of the same date.

Accounting Policies

1.4 Consolidation (continued)

When the end of the reporting dates of the controlling entity is different from that of a controlled entity, the controlled entity prepares, for consolidation purposes, additional annual financial statements as of the same date as the annual financial statements of the controlling entity unless it is impracticable to do so. When the annual financial statements of a controlled entity used in the preparation of consolidated annual financial statements are prepared as of a date different from that of the controlling entity, adjustments are made for the effects of significant transactions or events that occur between that date and the date of the controlling entity’s annual financial statements. In any case, the difference between the end of the reporting date of the controlled entity and that of the controlling entity is no more than three months. The length of the reporting periods and any difference between the ends of the reporting dates is the same from period to period.

Adjustments are made when necessary to the annual financial statements of the controlled entities to bring their accounting policies in line with those of the controlling entity.

All intra-entity transactions, balances, revenues and expenses are eliminated in full on consolidation.

Non-controlling interest in the net assets of the municipality is identified and recognised separately from the controlling entity's interest therein, and are recognised within net assets.

Changes in a controlling entity's ownership interest in a controlled entity that do not result in a loss of control are accounted for as transactions that affect net assets.

A Special purpose entity is consolidated when the substance of the relationship between the municipality and the Special purpose entity indicates that the Special purpose entity is controlled by the municipality.

1.5 Transfer of functions between entities under common control

Definitions

An acquirer is the municipality that obtains control of the acquiree or transferor.

Carrying amount of an asset or liability is the amount at which an asset or liability is recognised in the statement of financial position.

Control is the power to govern the financial and operating policies of another municipality so as to benefit from its activities.

A function is an integrated set of activities that is capable of being conducted and managed for purposes of achieving an municipality’s objectives, either by providing economic benefits or service potential.

A merger is the establishment of a new combined entity in which none of the former entities obtains control over any other and no acquirer can be identified.

Transfer date is the date on which the acquirer obtains control of the function and the transferor loses control of that function.

A transfer of functions is the reorganisation and/or the re-allocation of functions between entities by transferring functions between entities or into another municipality.

A transferor is the municipality that relinquishes control of a function.

Common control - For a transaction or event to occur between entities under common control, the transaction or event needs to be undertaken between entities within the same sphere of government or between entities that are part of the same economic entity. Entities that are ultimately controlled by the same entity before and after the transfer of functions are within the same economic entity.

A function is an integrated set of activities that is capable of being conducted and managed for purposes of achieving an municipality‘s objectives, either by providing economic benefits or service potential. A function consists of inputs and processes applied to those inputs that have the ability to create outputs. A function can either be a part or a portion of an entity or can consist of the whole municipality. Although functions may have outputs, outputs are not required to qualify as a function. The three elements of a function are defined as follows:

- Input: Any resource that creates, or has the ability to create, outputs when one or more processes are applied to it.
- Process: Any system, standard, protocol, convention or rule that when applied to an input or inputs, creates or has the ability to create outputs.
- Output: The result of inputs and processes applied to achieve and improve efficiency. This may be in the form of achieving service delivery objectives, or the delivery of goods and/or services.

Identifying the acquirer and transferor

For each transfer of functions between entities under common control an acquirer and transferor are identified. All relevant facts and circumstances are considered in identifying the acquirer and transferor.

The terms and conditions of a transfer of functions undertaken between entities under common control are set out in a binding arrangement. The binding arrangement governing the terms and conditions of a transfer of functions may identify which municipality to the transaction or event is the transferor(s) and which municipality is the acquirer. Where the binding arrangement does not clearly identify the acquirer or the transferor, the behaviour or actions of the entities may indicate which municipality is the acquirer and which municipality is the transferor.

Determining the acquirer includes a consideration of, amongst other things, which of the entities involved in the transfer of functions initiated the transaction or event, the relative size of the entities, as well as whether the assets or revenue of one of the entities involved in the transaction or event significantly exceed those of the other entities. If no acquirer can be identified, the transaction or event is accounted for in terms of the Standard of GRAP on Mergers.

Determining the transfer date

The acquirer and the transferor identify the transfer date, which is the date on which the acquirer obtains control and the transferor loses control of that function.

All relevant facts and circumstances are considered in identifying the transfer date.

1.5 Transfer of functions between entities under common control (continued)

Accounting by the entity as acquirer

Initial recognition and measurement

As of the transfer date, the municipality recognises the purchase consideration paid to the transferor and all the assets acquired and liabilities assumed in a transfer of functions. The assets acquired and liabilities assumed are measured at their carrying amounts.

If, prior to the transfer of functions, the transferor was not applying the accrual basis of accounting, the transferor changes its basis of accounting to the accrual basis of accounting prior to the transfer.

The consideration paid by the municipality can be in the form of cash, cash equivalents or other assets. If the consideration paid is in the form of other assets, the municipality de-recognises such assets on the transfer date at their carrying amounts.

The difference between the carrying amounts of the assets acquired, the liabilities assumed and the consideration paid to the transferor, is recognised in accumulated surplus or deficit.

Measurement period

If the initial accounting for a transfer of functions is incomplete by the end of the reporting period in which the transfer occurs, the municipality reports in its annual financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, the municipality retrospectively adjusts the provisional amounts recognised at the transfer date to reflect new information obtained about facts and circumstances that existed as of the transfer date and, if known, would have affected the measurement of the amounts recognised as of that date. The measurement period ends as soon as the municipality receives the information it was seeking about facts and circumstances that existed as of the transfer date or learns that more information is not obtainable. However, the measurement period does not exceed two years from the transfer date.

The municipality considers all relevant factors in determining whether information obtained after the transfer date should result in an adjustment to the provisional amounts recognised or whether that information results from events that occurred after the transfer date.

The municipality recognises an increase (decrease) in the provisional amount recognised for an asset (liability) by means of decreasing (increasing) the excess of the purchase consideration paid over the carrying amount of the assets acquired and liabilities assumed previously recognised in accumulated surplus or deficit. However, new information obtained during the measurement period may sometimes result in an adjustment to the provisional amount of more than one asset or liability.

During the measurement period, the municipality recognises adjustments to the provisional amounts as if the accounting for the transfer of functions had been completed at the transfer date. Thus, the municipality revises comparative information for prior periods presented in annual financial statements as needed, including making any change in depreciation, amortisation or other income effects recognised in completing the initial accounting.

After the measurement period ends, the municipality revises the accounting for a transfer of functions only to correct an error in accordance with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

Acquisition-related costs

Acquisition-related costs are costs that the municipality incurs to affect the transfer of functions. These costs include advisory, legal, accounting and other professional or consulting fees, general administrative costs, and costs of registering and issuing debt and equity securities. The entity accounts for acquisition-related costs as expenses in the period in which the costs are incurred and the services are received, with the exception of the costs incurred to issue debt or equity securities, which are recognised in accordance with the Standard of GRAP on Financial Instruments.

Subsequent measurement

The municipality subsequently measures any assets acquired and any liabilities assumed in a transfer of functions in accordance with the applicable Standards of GRAP.

Accounting Policies

1.5 Transfer of functions between entities under common control (continued)

At the transfer date, the municipality classifies or designates the assets acquired and liabilities assumed as necessary to apply other Standards of GRAP subsequently. The municipality makes those classifications or designations on the basis of the terms of the binding arrangement, economic conditions, its operating or accounting policies and other relevant conditions that exist at the transfer date. An exception is that the municipality classifies the following contracts on the basis of the contractual terms and other factors at the inception of the contract (or, if the terms of the contract have been modified in a manner that would change its classification, at the date of that modification, which might be the transfer date):

- classification of a lease contract as either an operating lease or a finance lease in accordance with the Standard of GRAP on Leases; and
- classification of a contract as an insurance contract in accordance with the International Financial Reporting Standard on Insurance Contracts.

Accounting by the entity as transferor

Derecognition of assets transferred and liabilities relinquished

As of the transfer date, the municipality derecognises from its annual financial statements, all the assets transferred and liabilities relinquished in a transfer of functions at their carrying amounts.

Until the transfer date, the municipality continues to measure these assets and liabilities in accordance with applicable Standards of GRAP.

The consideration received from the acquirer can be in the form of cash, cash equivalents or other assets. If the consideration received is in the form of other assets, the municipality measures such assets at their fair value on the transfer date in accordance with the applicable Standard of GRAP. The difference between the carrying amounts of the assets transferred, the liabilities relinquished and the consideration received from the acquirer is recognised in accumulated surplus or deficit.

1.6 Transfer of functions between entities not under common control

Definitions

An acquiree is the entity and/or the functions that the acquirer obtains control of in a transfer of functions.

An acquirer is the entity that obtains control of the acquiree or transferor.

Acquisition date is the date on which the acquirer obtains control of the acquiree.

Contingent consideration is usually, an obligation of the acquirer to transfer additional assets or a residual interest to the former owners of an acquiree as part of the exchange for control of the acquiree if specified future events occur or conditions are met. However, contingent consideration also may give the acquirer the right to the return of previously transferred consideration if specified conditions are met.

Control is the power to govern the financial and operating policies of another entity so as to obtain benefit from its activities.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction.

A function is an integrated set of activities that is capable of being conducted and managed for purposes of achieving an entity’s objectives, either by providing economic benefits or service potential.

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
- arises from contractual rights (including rights arising from binding arrangements) or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

A merger is the establishment of a new combined entity in which none of the former entities obtain control over any other and no acquirer can be identified.

Non-controlling interest is the interest in the net assets of a controlled entity not attributable, directly or indirectly, to a controlling entity.

1.6 Transfer of functions between entities not under common control (continued)

Owners (for the purposes of this Standard), is used broadly to include holders of residual interests.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

A transfer of functions is the reorganisation and/or the re-allocation of functions between entities by transferring functions between entities or into another entity.

The acquisition method

The municipality accounts for each transfer of functions between entities not under common control by applying the acquisition method.

Applying the acquisition method requires:
(a) identifying the acquirer;
(b) determining the acquisition date;
(c) recognising and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree; and
(d) recognising the difference between (c) and the consideration transferred to the seller.

Identifying the acquirer

For each transfer of functions between entities not under common control, one of the combining entities is identified as the acquirer.

The terms and conditions of a transfer of functions undertaken between entities not under common control are set out in a binding arrangement.

Determining the acquirer includes a consideration of, amongst other things, which of the combining entities initiated the transaction or event, the relative size of the combining entities, as well as whether the assets or revenue of one of the entities involved in the transaction or event significantly exceed those of the other entities. If no acquirer can be identified, the transaction or event is accounted for in terms of the Standard of GRAP on Mergers.

Determining the acquisition date

The acquirer identifies the acquisition date, which is the date on which it obtains control of the acquiree.

All relevant facts and circumstances are considered in identifying the transfer date.

Recognising and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree

Recognition principle

As of the acquisition date, the municipality as acquirer recognises, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree.

Recognition conditions:

To qualify for recognition as part of applying the acquisition method, the identifiable assets acquired and liabilities assumed must meet the definitions of assets and liabilities in the Framework for the Preparation and Presentation of Financial Statements and the recognition criteria in the applicable Standards of GRAP at the acquisition date.

In addition, to qualify for recognition as part of applying the acquisition method, the identifiable assets acquired and liabilities assumed must be part of what the municipality as acquirer and the acquiree (or its former owners) agreed in the binding arrangement rather than the result of separate transactions.

1.6 Transfer of functions between entities not under common control (continued)

Operating leases:

The municipality as acquirer recognises no assets or liabilities related to an operating lease in which the acquiree is the lessee.

The municipality as acquirer determines whether the terms of each operating lease in which the acquiree is the lessee are favourable or unfavourable. The municipality as acquirer recognises an intangible asset if the terms of an operating lease are favourable relative to market terms and a liability if the terms are unfavourable relative to market terms.

An identifiable intangible asset may be associated with an operating lease, which may be evidenced by market participants‘ willingness to pay a price for the lease even if it is at market terms.

Intangible assets:

The municipality as acquirer separately recognises the identifiable intangible assets acquired in a transfer of functions. An intangible asset is identifiable if it meets either the separability criterion or the contractual-legal right criterion.

Classifying or designating identifiable assets acquired and liabilities assumed in a transfer of functions:

At the acquisition date, the municipality as acquirer classifies or designates the identifiable assets acquired and liabilities assumed as necessary to apply other Standards of GRAP subsequent to the acquisition date. The municipality as acquirer makes those classifications or designations on the basis of the terms of the binding arrangement, economic conditions, its operating or accounting policies and other relevant conditions as they exist at the acquisition date.

Measurement principle

The municipality as acquirer measures the identifiable assets acquired and the liabilities assumed at their acquisition-date fair values.

Non-controlling interest in an acquiree:

For each transfer of functions, the municipality as acquirer measures at the acquisition date components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity‘s net assets in the event of liquidation at either:

- fair value; or
- the present ownership instruments‘ proportionate share in the recognised amounts of the acquiree‘s identifiable net assets.

Assets with uncertain cash flows (valuation allowances):

The municipality as acquirer does not recognise a separate valuation allowance as of the acquisition date for assets acquired in a transfer of functions that are measured at their acquisition-date fair values because the effects of uncertainty about future cash flows are included in the fair value measure.

Assets subject to operating leases in which the acquiree is the lessor:

In measuring the acquisition-date fair value of an asset such as a building or a patent that is subject to an operating lease in which the acquiree is the lessor, the municipality as acquirer takes into account the terms of the lease.

Recognising and measuring the difference between the assets acquired and liabilities assumed and the consideration transferred (if any)

1.6 Transfer of functions between entities not under common control (continued)

The municipality as acquirer recognises the difference between the assets acquired and liabilities assumed and the consideration transferred (if any) as of the acquisition date in surplus or deficit. This difference is measured as the excess of (a) over (b) below:
(a) the aggregate of:
(i) the consideration transferred (if any) measured in accordance with this Standard, which generally requires acquisition-date fair value;
(ii) the amount of any non-controlling interest in the acquiree measured in accordance with this Standard; and
(iii) in a transfer of functions achieved in stages, the acquisition-date fair value of the entity as acquirer's previously held equity interest in the acquiree.
(b) the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed measured in accordance with this Standard.

Measurement period

If the initial accounting for a transfer of functions is incomplete by the end of the reporting period in which the transfer occurs, the municipality as acquirer reports in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, the municipality as acquirer retrospectively adjust the provisional amounts recognised at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognised as of that date.

During the measurement period, the municipality as acquirer also recognises additional assets or liabilities if new information is obtained about facts and circumstances that existed as of the acquisition date and, if known, would have resulted in the recognition of those assets and liabilities as of that date. The measurement period ends as soon as the municipality as acquirer receives the information it was seeking about facts and circumstances that existed as of the acquisition date or learns that more information is not obtainable. However, the measurement period does not exceed two years from the acquisition date.

Subsequent measurement and accounting

In general, a municipality as acquirer subsequently measure and account for assets acquired, liabilities assumed or incurred and the residual interest issued in a transfer of functions in accordance with other applicable Standards of GRAP for those items, depending on their nature.

Contingent liabilities

After initial recognition and until the liability is settled, cancelled or expires, the municipality as acquirer measures a contingent liability recognised in a transfer of functions at the higher of:
(a) the amount that would be recognised in accordance with the Standard of GRAP on Provisions, Contingent liabilities and Contingent assets; and
(b) the amount initially recognised less, if appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from exchange transactions.

1.7 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Trade receivables / Held to maturity investments and/or loans and receivables

The municipality assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

1.7 Significant judgements and sources of estimation uncertainty (continued)

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

The carrying amount of available-for-sale financial assets would be an estimated R - lower or R - higher were the discounted rate used in the discount cash flow analysis to differ by 10% from management’s estimates.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the [name a key assumption] assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including [list entity specific variables, i.e. production estimates, supply demand], together with economic factors such as [list economic factors such as exchange rates inflation interest].

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note - Provisions.

Useful lives of waste and water network and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

1.7 Significant judgements and sources of estimation uncertainty (continued)

Post-retirement benefits

The present value of the post-retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post-retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 7.

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.8 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Accounting Policies

1.8 Property, plant and equipment (continued)

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for X,X and X which is carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

Property, plant and equipment are depreciated on the over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited in revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The useful lives of items of property, plant and equipment have been assessed as follows:

Accounting Policies

1.8 Property, plant and equipment (continued)

Item	Depreciation method	Average useful life
Land	Straight line	no depreciation
Buildings	Straight line	25 years
Car Parks	Straight line	30 years
Car ports	Straight line	10 years
Furniture and Office Equipment	Straight line	3 - 5 years
Air conditioners	Straight line	10 years
- Motor Cars	Straight line	4 years
- Light Commercial Vehicles	Straight line	5 years
- Buses	Straight line	8 years
Office Equipment	Straight line	3 -5 years
- Computer Hardware	Straight line	3 - 5 years
- CCTV Cameras	Straight line	5 years
- Other Emergency Equipment	Straight line	3 - 5 years
- Telecomm Equipment - WiFi Assets	Straight line	5 years
- Other Property , Plant and Equipment	Straight line	2 - 5 years
- Mobile Offices	Straight line	10 years
- Motor Vehicles	Straight line	3 years

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note).

1.9 Intangible assets

An asset is identifiable if it either:
- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

Accounting Policies

1.9 Intangible assets (continued)

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight-line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Depreciation method	Average useful life

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note).

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of intangible assets is included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.10 Investments in controlled entities

In the municipality's separate annual financial statements, investments in investments in controlled entities are carried .

The municipality applies the same accounting for each category of investment.

The municipality recognises a dividend or similar distribution in surplus or deficit in its separate annual financial statements when its right to receive the dividend or similar distribution is established.

Investments in controlled entities that are accounted for in accordance with the accounting policy on Financial instruments in the consolidated annual financial statements, are accounted for in the same way in the controlling entity's separate annual financial statements.

1.11 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:
- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:
- cash;
- a residual interest of another entity; or

1.11 Financial instruments (continued)

- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity’s net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Accounting Policies

1.11 Financial instruments (continued)

Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Other financial Assets	Financial asset measured at amortised cost
Short-term Investment Deposits - Call	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non - exchange transactions	Financial asset measured at amortised cost
Long-term Investment Deposits - Non - Current	Financial asset measured at amortised cost
Non current assets held for sale	Financial asset measured at amortised cost
Investments in listed shares	Financial asset measured at fair value
Investments in controlled entities	Financial asset measured at cost

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Other financial liabilities	Financial liability measured at amortised cost
Finance lease obligations	Financial liability measured at amortised cost
Operating lease obligations	Financial liability measured at amortised cost
Unspent Conditional Grants	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost
Payables from non-exchange transactions	Financial liability measured at amortised cost
Bank overdraft	Financial liability measured at amortised cost

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The entity measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

1.11 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm’s length exchange motivated by normal operating considerations. Valuation techniques include using recent arm’s length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Accounting Policies

1.11 Financial instruments (continued)

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:
- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognises either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continues to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

1.11 Financial instruments (continued)

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Distributions to holders of residual interests are recognised by the entity directly in net assets. Transaction costs incurred on residual interests are accounted for as a deduction from net assets. Income tax [where applicable] relating to distributions to holders of residual interests and to transaction costs incurred on residual interests are accounted for in accordance with the International Accounting Standard on Income Taxes.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

1.12 Statutory receivables

Identification

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset.

Carrying amount is the amount at which an asset is recognised in the statement of financial position.

The cost method is the method used to account for statutory receivables that requires such receivables to be measured at their transaction amount, plus any accrued interest or other charges (where applicable) and, less any accumulated impairment losses and any amounts derecognised.

Nominal interest rate is the interest rate and/or basis specified in legislation, supporting regulations or similar means.

The transaction amount (for purposes of this Standard) for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

Recognition

The municipality recognises statutory receivables as follows:

- if the transaction is an exchange transaction, using the policy on Revenue from exchange transactions;
- if the transaction is a non-exchange transaction, using the policy on Revenue from non-exchange transactions (Taxes and transfers); or
- if the transaction is not within the scope of the policies listed in the above or another Standard of GRAP, the receivable is recognised when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the transaction amount can be measured reliably.

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Accounting Policies

1.12 Statutory receivables (continued)

Subsequent measurement

The municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:
- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

Accrued interest

Where the municipality levies interest on the outstanding balance of statutory receivables, it adjusts the transaction amount after initial recognition to reflect any accrued interest. Accrued interest is calculated using the nominal interest rate.

Interest on statutory receivables is recognised as revenue in accordance with the policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (Taxes and transfers), whichever is applicable.

1.13 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessor

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the .

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

1.13 Leases (continued)

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.14 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets used with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:
- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

Judgements made by management in applying the criteria to designate assets as cash-generating assets or non-cash-generating assets, are as follows:

[Specify judgements made]

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also tests a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

1.14 Impairment of cash-generating assets (continued)

Basis for estimates of future cash flows

In measuring value in use the municipality:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset’s revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.14 Impairment of cash-generating assets (continued)

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

1.14 Impairment of cash-generating assets (continued)

Reversal of impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset’s recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset’s revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.15 Impairment of non-cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset’s future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

1.15 Impairment of non-cash-generating assets (continued)

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm’s length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset’s fair value less costs to sell and its value in use.

Useful life is either:

- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

Judgements made by management in applying the criteria to designate assets as non-cash-generating assets or cash-generating assets, are as follows:

[Specify judgements made]

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also tests a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Accounting Policies

1.15 Impairment of non-cash-generating assets (continued)

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the current reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an “optimised” basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Restoration cost approach

Restoration cost is the cost of restoring the service potential of an asset to its pre-impaired level. The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

Service units approach

The present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. The current cost of replacing the remaining service potential of the asset before impairment is determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Accounting Policies

1.15 Impairment of non-cash-generating assets (continued)

Reversal of an impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.16 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

1.16 Employee benefits (continued)

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidized goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognises the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

Accounting Policies

1.16 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognises actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:
- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognises past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:
- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The entity measures the resulting asset at the lower of:
- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The entity determines the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

1.16 Employee benefits (continued)

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The entity uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the entity re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

The entity offsets an asset relating to one plan against a liability relating to another plan when the entity has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

1.16 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:
- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
- those changes were enacted before the reporting date; or
- past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

Other post retirement obligations

The municipality provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The municipality also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:
- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The entity shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

1.17 Provisions and contingencies

Provisions are recognised when:
- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

1.17 Provisions and contingencies (continued)

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating surplus (deficit).

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:
- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of an activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:
- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:
- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 31.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:
- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;

Accounting Policies

1.17 Provisions and contingencies (continued)

- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

1.18 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.19 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.19 Revenue from exchange transactions (continued)

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by .

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality’s right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.20 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Accounting Policies

1.20 Revenue from non-exchange transactions (continued)

Government grants

Government grants are recognised as revenue when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, which-ever is earlier.

When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

Other grants and donations

Other grants and donations are recognised as revenue when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restrictions associated with the grant.

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

1.21 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.22 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.23 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.24 Unauthorised expenditure

Unauthorised expenditure means:
- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.25 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

Accounting Policies

1.25 Fruitless and wasteful expenditure (continued)

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.26 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -
- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.27 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a cash basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2018/07/01 to 2019/06/30.

The budget for the economic entity includes all the entities approved budgets under its control.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

Accounting Policies

1.28 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

The municipality is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the municipality to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the municipality is exempt from the disclosures in accordance with the above, the municipality discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity’s financial statements to understand the effect of related party transactions on its annual financial statements.

1.29 Value Added Tax

The Municipality is registered with SARS for VAT on the payment basis, in accordance with Section 15 (2)(a) of the Value-added tax Act no 89 of 1991

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

2. Changes in accounting policy

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice on a basis consistent with the prior year except for the adoption of the following new or revised standards.

Notes to the Annual Financial Statements

Figures in Rand

3. Property, plant and equipment

	2019			2018		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Buildings	6 259 003	(2 657 405)	3 601 598	4 980 502	(2 146 900)	2 833 602
Plant and machinery	4 476 594	(3 289 659)	1 186 935	131 307	(2 739 556)	(2 608 249)
Furniture and fixtures	6 602 089	(4 657 371)	1 944 718	8 627 201	(4 097 899)	4 529 302
Motor vehicles	7 998 242	(2 568 189)	5 430 053	9 852 648	(4 137 151)	5 715 497
IT equipment	3 624 580	(2 416 926)	1 207 654	3 198 675	(2 168 475)	1 030 200
Infrastructure	21 556 379	(11 326 186)	10 230 193	21 848 899	(7 461 794)	14 387 105
Community	-	(246 325)	(246 325)	19 814	(510 512)	(490 698)
Other property, plant and equipment	1 468 913	-	1 468 913	3 495 319	-	3 495 319
Total	**51 985 800**	**(27 162 061)**	**24 823 739**	**52 154 365**	**(23 262 287)**	**28 892 078**

Notes to the Annual Financial Statements

Figures in Rand

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Disposals	Transfers- Mscoa Classification	Depreciation	Total
Land	1 278 500	-	-	(1 278 500)	-	-
Buildings	2 833 602	767 996	-	-	-	3 601 598
Plant and machinery	(2 608 249)	-	(3 854)	4 374 882	(575 844)	1 186 935
Furniture and fixtures	4 529 302	403 031	(52 174)	(2 103 663)	(831 778)	1 944 718
Motor vehicles	5 715 497	1 287 989	(913 728)	(83 262)	(576 443)	5 430 053
IT equipment	1 030 200	504 084	(45 745)	410 769	(691 654)	1 207 654
Infrastructure	14 387 105	-	-	(292 520)	(3 864 392)	10 230 193
Community	(490 698)	-	-	490 698	(246 325)	(246 325)
Other property, plant and equipment	3 495 319	265 688	-	(2 292 094)	-	1 468 913
	30 170 578	**3 228 788**	**(1 015 501)**	**(773 690)**	**(6 786 436)**	**24 823 739**

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Land	1 278 500	-	-	-	-	1 278 500
Buildings	3 747 048	-	-	-	(913 446)	2 833 602
Plant and machinery	4 603 279	-	(4 055 388)	8 518	(3 164 658)	(2 608 249)
Furniture and fixtures	5 807 419	-	(350 444)	-	(927 673)	4 529 302
Motor vehicles	7 420 271	-	(766 415)	189 327	(1 127 686)	5 715 497
IT equipment	1 811 844	-	(77 650)	-	(703 994)	1 030 200
Infrastructure	13 104 598	5 396 303	(119 534)	-	(3 994 262)	14 387 105
Community	-	-	-	-	(490 698)	(490 698)
Other property, plant and equipment	3 747 048	-	-	-	(251 729)	3 495 319
	41 520 007	**5 396 303**	**(5 369 431)**	**197 845**	**(11 574 146)**	**30 170 578**

Pledged as security

No assets were pledged as security for liabilities of the municipality:

Assets subject to finance lease (Net carrying amount)

Plant and machinery	-	6 745

Details of properties

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

4. Intangible assets

	2019			2018		
	Cost / Valuation	**Accumulated amortisation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation and accumulated impairment**	**Carrying value**
Computer software, other	4 524 463	(3 875 005)	649 458	4 462 898	(2 909 107)	1 553 791

Reconciliation of intangible assets - 2019

	Opening balance	**Additions**	**Amortisation**	**Total**
Computer software, other	1 553 791	61 566	(965 899)	649 458

Reconciliation of intangible assets - 2018

	Opening balance	**Additions**	**Amortisation**	**Total**
Computer software, other	1 602 605	816 521	(865 335)	1 553 791

Pledged as security

No assets were pledged as security for liabilities of the municipality.

5. Investments in controlled entities

The carrying amounts of controlled entities are shown net of impairment losses.

6. Other financial assets

Residual interest at cost

Figures in Rand	2019	2018

6. Other financial assets (continued)

Investment in controlled entity at cost 100% Shareholding in the agency - at cost.	120	120
Non-current assets		
Residual interest at cost	120	120

7. Employee benefit obligations

Post retirement medical aid benefit liability

Post-Employment Health Care Benefit Liability	11 290 054	
Total: Post-Employment Health Care Benefit Liability	11 290 054	
Less: Transfer to current provisions	(243 737)	
Net Post-Employment Health Care Benefit Liability	11 046 317	
Post retirement medical aid liability		

The Municipality provides certain post retirement medical benefits by funding the medical aid contributions of certain retired members of the municipality. According to the rules of the medical aid funds, with which the municipality is associated, a member (who is on the current condition of service), on retirement, is entitled to remain a continued member of such medical aid fund, in which case the Municipality is liable for a certain portion of the medical aid membership fee. The Municipality operates an unfunded defined benefit plan for these qualifying employees.
The most recent actuarial valuations of plan assets and the present value of the unfunded defined benefit obligation were carried out as at 30 June 2018 by Arch Actuarial consulting, a member of the Actuarial Society of South Africa.
The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method. No other post retirement benefits are provided by themunicipality.
The Post Employment Health Care Benefit Plan is a defined benefit plan, of which the members are made up as follows:

Member category

In-service (employee) members	95	96
Continuation (retiree and widow) members	**5**	**6**
	100	**102**

The unfunded liability and current - service cost of past service has been estimated to be as follows:

Member category - Unfunded liability		
In-service members	8 308 000	8 054 716
Continuation members	3 506 000	3 235 338
	11 814 000	**11 290 054**

Current service cost		
Year ending 30 June 2019 (Current period)	685 389	669 000
Year ending 30 June 2020 (ensuing period)	695 389	685 585

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes
- Bonitas;
- Hosmed;
- LA Health;
- Key Health;
- Samwumed;
- Fedhealth

The future service cost for the ensuing year is established to be R695 389 whereas the interest-cost for the next year is estimated to be R 1 122 941

Figures in Rand	2019	2018

7. Employee benefit obligations (continued)

The principal assumptions used for the purposes of the actuarial valuations were as follows:		
Discount rate %	9,70	9,80
Health Care Cost Inflation Rate %	7,45	8,07
Maximum subsidy inflation rate	5,21	5,68
Net discount rate - health care cost inflation %	2,09	1,61
Continuation of membership at retirement %	90	90
Proportion assumed married at retirement %	90	90
Average retirement age	63	63
Mortality during employment	SA 85-90	SA 85-90

The personnel of the Dr Kenneth Kaunda District Municipality are members of the funds as set out below.The relevant law requires every fund to do an actuarial valuation at least every three years.Sufficient information is not available to make more detailed disclosures.

Municipal Councillors Pension fund. The Municipal Councilors Pension Fund operates as a defined contribution scheme. The scheme is subject to an actuarial valuation every three years. The latest statutory valuation was performed as at 30 June 2015,The valuation performed as at 30 June 2015 revealed that the fund's net assets were R 2,551.9 million (2012: R 1,371.3) with a total of 6,973 members (30 June 2012: 6,839). As at 30 June 2015 the fund showed an excess of R 27.7 million before allowing for reserves and was certified to be in an sound financial condition by the actuaries, Moruba Consultants and Actuaries. The contribution rate paid by the members (13,75 %) and council (15 %) is sufficient to fund the benefits accruing from the fund in the future.

Municipal Gratuity Fund. The defined contribution scheme is a multi-employer plan and the contribution rate payable is 7,5 %, by the members and 22 % by Council.
The scheme is subject to a tri-annual actuarial valuation. The last statutory valuation was performed as at 30 June 2014. The valuation performed as at 30 June 2014 revealed that the market value of the fund was R17 651 (30 June 2013: 14 565) million. The contribution rate payable (7,50% by the member and 22,00% by the employer), is sufficient to fund the benefits accruing from the fund in the future. The fund was certified to be in sound financial condition as at 30 June 2014..

Municipal Employees Pension Fund. The contribution rate payable is 7,5 % by the members an on average 21,8% by Council. The last Actuarial valuation on this fund was performed in February 2014 certified that the fund is in a sound financial state. The total assets amounts to R 11,660,9 (28 February 2011 : R7,544,2) and liabilities to R11,660,9 (28 February 2011 : R6,991,4) with a total of 16 094 members (28 February 2008 :17,110.

SAMWU Provident Fund. The contribution rate payable is 7,5 % by the members and a minimum of 18 % by Council. The last actuarial valuation on this fund was performed for the year ended 30 June 2008 certified that the fund is in a sound financial state. There are 25,993 members and the total assets amount to R 2,455,947,000.

National Fund for Municipal workers. The above mentioned fund is a defined contribution Fund and according to Regulation 2 of the Pension Funds Act no 24 of 1956 exempt from the provisions of sections 9A and 16 of the Act. The contribution rate paid by the members is 9 % and by the council is 22 %. The latest valuation was done on 30 June 2015 (30 June 2014).The statutory valuation performed as at 30 June 2015 revealed that the fund had a surplus of R 41,8 (30 June 2014: R9,3) million, with a funding level of 100,42% (30 June 2014: 100,10%). The contribution rate paid by the members (minimum of 2,00% to 7,00%) and the municipalities (minimum of 2,00% to 7,00%) is sufficient to fund the benefits accruing from the fund in the future. The net assets available for benefits amounts to R 10,050,029,000 as at 30 June 2014 (June 2014: R 9,031,759,000.

Defined Contribution (DC) Multi-Employers Pension scheme
It is the policy of the municipality to provide retirement benefits to all its employees, GRAP 25 paragraph .55 requires disclosure of the amount recognised as an expense in the current financial year.
The municipality is under no obligation to cover any unfunded benefits.
The total contributions to such schemest

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

7. Employee benefit obligations (continued)

Changes in the fair value of plan liability are as follows:

Opening balance	11 290 054	10 962 142
Expected return	(243 737)	-
Actuarial gains (losses)	(1 001 869)	(1 078 501)
Interest cost	1 083 588	1 061 461
Current service cost	685 585	669 000
Exchange differences	-	(45 338)
Benefits paid	-	(278 710)
	11 813 621	**11 290 054**

The municipality expects to contribute R - to its defined benefit plans in the following financial year.

8. Receivables from exchange transactions

Other debtors #2	-	-
Accrual - Interest on call deposit	162 497	70 839
Other debtors	410 315	776 208
Less: Allowance for doubtful debt	-	(24 765)
	572 812	**822 282**

9. Receivables from non-exchange transactions

Prepaid expenses	602 000	873 412
Payment on behalf of local council	-	410 550
Salaries and bank clearing account	173 109	173 109
Less: Allowance for doubtful debt	(435 315)	(410 550)
	339 794	**1 046 521**

Reconciliation of provision for impairment of receivables from non-exchange transactions

Opening balance	(410 550)	(313 984)
Provision for impairment	-	(96 566)
	(410 550)	**(410 550)**

10. VAT receivable

VAT	5 917 594	5 986 382

The municipality is registered on the payment basis for VAT and management is of the opinion that the VAT receivable at year end, reflects the fair value of the amount to be received from SARS.

11. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	6 600	6 600
Bank balances	423 330 433	231 012 299
Short-term deposits	18 000 000	6 000 000
Bank overdraft	(407 919 713)	(227 257 481)
	33 417 320	**9 761 418**

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

11. Cash and cash equivalents (continued)

Current assets	666 224 333	392 018 899
Current liabilities	(632 807 013)	(382 257 481)
	33 417 320	**9 761 418**

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2019	30 June 2018	30 June 2017	30 June 2019	30 June 2018	30 June 2017
Current Account (Primary Bank Account ABSA Klerksdorp Account no 950 000 627)	17 029 107	4 393 407	2 176 508	14 424 610	2 799 761	1 625 318
Current Account (Local Government Support Grant) ABSA Klerksdorp Account no 405 643 8304	986 110	955 057	2 113 228	986 111	955 057	2 113 228
Total	**18 015 217**	**5 348 464**	**4 289 736**	**15 410 721**	**3 754 818**	**3 738 546**

12. Accumulated surplus

Ring-fenced internal funds and reserves within accumulated surplus - 2019

	Capital replacement reserve	Total
Opening balance	1 588 167	1 588 167

Ring-fenced internal funds and reserves within accumulated surplus - 2018

	Capital replacement reserve	Government grant reserve	Total
Opening balance	1 588 167	(2 231 434)	(643 267)

13. Finance lease obligation

Minimum lease payments due		
- within one year	-	54 874
	-	54 874
less: future finance charges	-	6 694
Present value of minimum lease payments	**-**	**61 568**

Present value of minimum lease payments due		
- within one year	-	48 180

It is municipality policy to lease certain property (motor vehicle) and equipment under finance leases.

The average lease term was 3 years and the average effective borrowing rate was 9% (2018: 9%).

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note .

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

14. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Fire support grant	65 626	65 626
Local government support grant	986 111	955 057
Rural road asset management system	111 839	209
Unspent grants 14	1	-
	1 163 577	**1 020 892**

The municipality complied with the conditions attached to the grants received to the extend of revenue recognised. Unspent portions of conditional grants are cash backed.

See note 19 for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

15. Payables from exchange transactions

Trade payables	3 884 981	7 640 544
Retention	308 059	1 596 949
Other Creditors: Accrual - Compensation Commissioner	2 899 794	2 400 445
Leave and bonus	11 025 892	10 944 762
Salary clearing account	864	864
	18 119 590	**22 583 564**

16. Payables from non-exchange transactions

Bank reconciliation clearing account	582 816	856 212

The amount of liabilities forgiven is R - (2018: R -).

17. Investment revenue

Dividend revenue		
Listed financial assets - Local	-	2 250
Interest revenue		
Bank	716 843	448 682
Investment and call deposit	2 879 105	2 322 874
	3 595 948	**2 771 556**
Total investment revenue	**3 595 948**	**2 773 806**

18. Transfers and Subsidies

Other subsidies		
Bursaries non-employees	126 440	133 140
Dr Kenneth Kaunda Economic Development Agency	2 608 696	3 000 000
Merit Bursaries Community	2 051 610	2 285 600
Less: Fair value adjustments - credit purchases	-	(38 750)
	4 786 746	**5 379 990**

Figures in Rand	2019	2018

19. Government grants and subsidies

Operating grants

	2019	2018
Equitable share	21 710 000	20 039 000
Fire support grant	-	454 656
Tirelo Bosha grant	496 200	429 000
LG Seta mandatory grant	-	97 666
Expanded public work program	1 151 000	1 292 000
Finance management grant	1 000 000	1 250 000
Levy replacement grant	158 323 000	153 637 000
Rural road asset management system	2 348 369	2 455 000
	185 028 569	**179 654 322**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

	2019	2018
Conditional grants received	5 288 199	159 615 322
Unconditional grants received	180 033 000	20 039 000
	185 321 199	**179 654 322**

Fire Support Grant

	2019	2018
Balance unspent at beginning of year	65 626	-
Current-year receipts	-	520 282
Conditions met - transferred to revenue	-	(454 656)
	65 626	**65 626**

Conditions still to be met - remain liabilities (see note 14).

Tirelo Bosha Grant

	2019	2018
Current-year receipts	496 000	429 000
Conditions met - transferred to revenue	(496 000)	(429 000)
	-	-

Conditions still to be met - remain liabilities (see note 14).

LG Seta Mandatory Grant

	2019	2018
Current-year receipts	149 945	97 666
Conditions met - transferred to revenue	(149 945)	(97 666)
	-	-

Conditions still to be met - remain liabilities (see note 14).

Expanded Public Work Program

	2019	2018
Current-year receipts	1 151 000	1 292 000
Conditions met - transferred to revenue	(1 151 000)	(1 292 000)
	-	-

Conditions still to be met - remain liabilities (see note 14).

Local Government Support Grant

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

19. Government grants and subsidies (continued)

Balance unspent at beginning of year	955 057	917 747
Current-year receipts	31 054	37 310
	986 111	**955 057**

Conditions still to be met - remain liabilities (see note 14).

Finance Management Grant

Current-year receipts	1 000 000	1 250 000
Conditions met - transferred to revenue	(1 000 000)	(1 250 000)
	-	**-**

Conditions still to be met - remain liabilities (see note 14).

Levy Replacement Grant

Current-year receipts	158 323 000	153 637 000
Conditions met - transferred to revenue	(158 323 000)	(153 637 000)
	-	**-**

Conditions still to be met - remain liabilities (see note 14).

Rural Road Asset Management Grant

Balance unspent at beginning of year	209	936 209
Current-year receipts	2 460 000	2 455 000
Conditions met - transferred to revenue	(2 348 370)	(2 455 000)
Transfer back to National Treasury	-	(936 000)
	111 839	**209**

Conditions still to be met - remain liabilities (see note 14).

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

20. Employee related costs

Basic	57 538 712	55 544 057
Medical aid - company contributions	3 146 682	2 991 167
UIF	222 741	240 928
Bargaining council contributions	11 504	11 224
Leave pay provision charge	4 006 346	3 362 233
Cell Phone Allowance	870 116	920 158
Defined contribution plans	254 669	1 685 123
Overtime payments	129 858	160 410
Post - retirement medical aid contribution	(1 062)	530 277
13th Cheques	3 957 001	3 952 079
Acting allowances	1 779 785	1 585 064
Car allowance	8 378 574	8 199 702
Housing benefits and allowances	455 714	394 913
Standby Allowance	97 203	92 042
Group Life Insurance - Council Contribution	413 719	404 811
Pension Fund - Council contribution	7 629 876	7 499 637
Uniform Allowance	36 852	7 915
	88 928 290	**87 581 740**

Remuneration of Municipal Manager

Annual Remuneration	958 620	682 137
Leave Sol	33 232	-
Other Allowances	15 000	11 250
Acting Allowance	-	78 340
Statutory contribution	-	1 408
Bonus	76 816	-
	1 083 668	**773 135**

Remuneration of Chief Finance Officer

Annual Remuneration	-	584 955
Leave Sold	-	217 375
Other Allowance	700	5 250
Acting Allowance	195 487	201 546
Statutory Contribution	-	25 904
	196 187	**1 035 030**

J Brown was acting as a CFO from July 2018 to January 2019 and T Ngqobe from February to June 2019

Remuneration of Director Corporate Services

Annual Remuneration	-	1 011 260
Car Allowance	-	180 000
Leave Sold	-	41 029
Other Allowances	1 232	12 600
Acting Allowances	169 614	161 920
Statutory Contribution	-	68 169
	170 846	**1 474 978**

Abrams acted as Director Corporate Services from September 2018 to February 2019 and MM Seleke acted in March 2019

Remuneration of Director Infrastructure

Annual Remuneration	-	1 309 543

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

20. Employee related costs (continued)

Leave Sold	-	43 396
Other Allowance	1 400	15 000
Acting Allowance	171 279	217 796
Statutory Contribution	-	1 877
	172 679	**1 587 612**

Remuneration of Director District Economic Development

Annual Remuneration	-	1 088 517
Leave Sold	-	143 602
Other Allowance	2 200	11 550
Acting Allowance	158 106	26 720
13th Cheque	-	127 339
Cellphone Allowance	-	69 233
	160 306	**1 466 961**

GK Sophuka acted as Director DED from July 2018 to November 2018 and TM Rampedi from December 2018 to May 2019

Remuneration of Director Disaster Management

Annual Remuneration	323 505	297 008
Leave Sold	179 009	102 573
Other Allowance	4 910	3 150
Acting Allowance	218 280	272 988
13th Cheque	-	54 897
Statutory Contribution	-	469
	725 704	**731 085**

TS Mosebi acted as Director DEH from July 2018 to September 2018, Matlhakola from October 2018 to December 2018 and NP Tenza from April to June 2019

Remuneration of the Director Environmental Health

Acting Allowance	279 480	348 406
Other Allowance	1 800	-
	281 280	**348 406**

21. Remuneration of Councillors

Executive Major	903 871	859 950
Mayoral Committee Members	3 839 828	3 554 130
Speaker	731 975	693 504
Councillors	3 685 506	3 860 571
Single whip	689 003	652 210
	9 850 183	**9 620 365**

22. Depreciation and amortisation

Property, plant and equipment	6 794 219	8 042 377
Intangible assets	965 899	865 335
	7 760 118	**8 907 712**

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

23. Finance costs

Finance leases	-	284 613
Fair value adjustments on credit purchases	-	564 088
	-	**848 701**

24. Debt impairment

Contributions to debt impairment provision	-	121 331

25. Contracted services

Outsourced Services	12 163 259	9 923 052
Fair value adjustment	-	(313 480)
Consultants and Professionals Services	14 348 763	13 198 339
Other Contractors	6 689 449	20 711 564

26. General expenses

Assessment rates & municipal charges	1 314 489	1 303 374
Auditors remuneration	2 912 665	3 063 964
Bank charges	83 938	123 312
Donations	916 644	1 278 280
Entertainment	369 535	559 118
Hire Charges	469 890	515 286
Insurance	695 094	779 643
Conferences and seminars	1 593 635	1 309 927
skills development levy	682 981	676 057
IT expenses	1 250 281	2 387 416
Compensation commissioner	499 349	466 364
Fair value adjusmentt	-	(211 859)
In-kind benefit expenses	-	117 480
Municipal public accounts committee expenses	-	96 889
Motor vehicle expenses	1 195 496	1 137 847
Printing and stationery	210 853	937 831
Protective clothing	121 318	93 450
Repairs and maintenance	36 133	-
License fees	125 575	59 873
Subscriptions and membership fees	931 875	917 155
Telephone and fax	1 137 998	1 227 563
Accomodation, subsistence and travel	979 358	1 453 734
Training	434 013	710 818
Travel - local	75 500	258 967
Toll fees	-	15 952
Office rental	2 572 866	3 884 496
Business expenses councillors and directors	107 159	103 873
EPWP - Skills development & training	1 238 757	2 832 868
Expense 3	878 563	-
Events and campaigns	1 767 524	2 082 994
Consumables	1 537 350	1 228 931
	24 138 839	**29 411 603**

27. Auditors' remuneration

Fees	2 912 665	3 063 964

Figures in Rand	2019	2018

28. Operating lease

Details of leases - liability

• Lease office space - Orkney		148 800

Minimum lease payments due

Within one year	1 742 400	1 584 000
In the second year		1 742 400

29. Cash generated from operations

Surplus (deficit)	19 609 076	(2 450 396)
Adjustments for:		
Depreciation and amortisation	7 760 118	8 907 712
Loss on sale of assets and liabilities	(7 683)	(510 275)
Gain on discontinued operations	959 539	1 433 771
Finance costs - Finance leases	-	284 613
Debt impairment	-	121 331
Movements in operating lease assets and accruals	4 800	145 367
Movements in retirement benefit assets and liabilities	(202 139)	530 051
Changes in working capital:		
Receivables from exchange transactions	249 470	(565 111)
Consumer debtors	-	(121 331)
Other receivables from non-exchange transactions	706 727	(541 317)
Payables from exchange transactions	(4 463 974)	(4 195 632)
VAT	68 788	(274 114)
Taxes and transfers payable (non-exchange)	(273 396)	-
Unspent conditional grants and receipts	142 685	(833 064)
	24 554 011	**1 931 605**

30. Financial instruments disclosure

Categories of financial instruments

2019

Financial assets

	At amortised cost	At cost	Total
Trade and other receivables from exchange transactions	572 812	-	572 812
Other receivables from non-exchange transactions	339 794	-	339 794
Cash and cash equivalents	33 417 320	-	33 417 320
Investment in controlled entities	-	120	120
	34 329 926	**120**	**34 330 046**

Financial liabilities

	At amortised cost	Total
Operating leases liabilities	153 600	153 600
Trade and other payables from exchange transactions	18 119 590	18 119 590
Trade and other payables (non-exchange)	582 816	582 816
	18 856 006	**18 856 006**

2018

Financial assets

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

30. Financial instruments disclosure (continued)

	At amortised cost	At cost	Total
Trade and other receivables from exchange transactions	822 282	-	822 282
Other receivables from non-exchange transactions	1 046 521	-	1 046 521
Cash and cash equivalents	9 761 418	-	9 761 418
Investment in controlled entities	-	120	120
	11 630 221	**120**	**11 630 341**

Financial liabilities

	At amortised cost	Total
Finance lease liabilities	48 180	48 180
Operating leases liabilities	148 800	148 800
Trade and other payables from exchange transactions	22 583 568	22 583 568
Trade and other payables (non-exchange)	856 212	856 212
	23 636 760	**23 636 760**

Figures in Rand	2019	2018

31. Contingencies

Contingent liabilities represent a possible obligation that arises from past events and whose existence will be confirmed only by an occurrence or no-occurrence of or more uncertain future events not wholly with the control of the entity.

A contingent liability can also arise as a result of present obligation that arises from past events, but which is not recognised as a liability either because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with enough reliability

Disclosure of contingent liabilities and assets
The following contingent liabilities and assets exist:

Contingent liabilities

	2019	2018
Batting Development Products against Dr KKDM was claimed. The matter is pending	5 280 585	5 280 585
Rampedi against DR KKDM Nature of dispute - Unfair labour practice Status of case - Arbitration was scheduled for 23 January 2015. The matter is pending. Case no NWD 01410	1 962 097	1 962 097
MB Molefe against DR KKDM Nature of dispute - Unfair labour practise Status of case - The matters were consolidated and archived pending the outcome of JR 270214, Case no JS 57714 and JS 844/14f	660 000	660 000
MB Molefe against Dr KKDM An application for leave to appeal has been filed at the labour court. Case no JR 2702/2014	660 000	660 000
MB Molefe against DR KKDM On 8 June 2015 the Office of the Legal Manager received summons from the Sheriff Orkney. The summons was issued by the Registrar North Gauteng High Court. The Plaintiff in the matter is Mr MB Molefe and the 1st responded in Matlakala Irene Matthews. The Plaintiff is claiming payment in the sum of R225 099 being an amount of pay-out for leave days due to the Plaintiff by the Respondent as at the dismissal date, 10 July 2014	575 099	575 099
MB Molefe against DR KKDM On 20 March 2014, The Plaintiff issued summons against the former Executive Mayor and Acting Municipal Manager for damages suffered. The Plaintiff claimed an amount of R 4 million	800 000	800 000
Nalko against DR KKDM The Plaintiff has issued summons on 1 June 2018 form the North West High Court,Mahikeng against the Municipality for an amount if R6, 3 million	6 348 626	6 3848 626
MW Asset Rentals (Pty) Ltd against DR KKDM Background – DR KKDM cancelled the Master Rental Agreement with Bakopane Information Systems CC t/a Toshiba Office Systems and Technology. The agreement was entered during the month of October 200 and it was for the rental of photocopy machines, printers and faxes. The right of the Master Rental Agreement were then ceded by Toshiba to Merchant west Asset Rentals (MW Rentals). The Auditor- General Report for the year end 30 June 2010, indicated that procurement procedures were not properly followed in the appointment of Toshiba. On 27 February 2012 the agreement between DR KKDM and MW Rentals was then cancelled due to the fat that the agreement was not valid as proper procurement procedures were not followed. On 2 October 2012 MW Rentals issued summons against ER KKDM for an amount of R 318 4161	518 461	518 461

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

31. Contingencies (continued)

	2019	2018
CMH T/A First Car Rental against Dr KKDM Nature of dispute – The summons was issued on 21 June 2016, at the South Gauteng high court. The Attorneys have filed a notice of intention to defend. The amount claimed is R 239 486 and a damage claim in the amount of R 19 323	558 720	558 720
Contingent Assets		
Dr KKDM against Trading Enterprise CC Various payments were to Amadeka trading Enterprises totaling an amount of R 883 639. Amadeka Trading had not rendered any services to DR KKDM in order to justify the above-mentioned payments. On 5 November 2013, summons was issued against Amadeka for an amount of R 883 639	863 639	883 639
Dr KKDM against Bareng Rasego Trading Enterprise Status: Various payments were made to Bareng Trading Enterprise totaling an amount of R 538 830. The company had not rendered any services to DR KKDM in order to justify the above-mentioned payments made. Amount requested R 538 830.	538 830	538 830
DR KKDM against Kumekucha Investments CC Status: On 26 March 2010 cheque was issued and drawn on the bank account to the municipality, for an amount of R 550 000 in favour of Kumekucha Investments as remuneration for allegedly supplying the district municipality with a feasibility study on Loan and Project report. However, Kumekucha had never supplied any good and/or services to the DR KKDM	550 000	550 000
DR KKDM against Big Break Legacy Project Team Status: Letter of demand was served to Dual Point Media to recover monies paid over to the company to produce the Big Break Legacy Season 3 Estimated mount to be received by DR KKDM is R 10 million	10 000 000	10 000 000

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

32. Related parties

Relationships

Controlled entities	Dr Kenneth Kaunda District Economic Agency Refer to note 5
Member of Council	Refer to General Information page on the financial statements
Member of Key Management	Refer to General Information page of the financial statements Members of Key Management S Lesupi - Municipal Manager J Brown - Acting CFO from July 2018 to January 2019; and T Ngqobe- Acting CFO January 2019 - June 2019 Abrams - Acting Director Corporate Services from September 2018 to February 2019 and MM Seleke acted from March 2019; KT Tshukudu - Acting Director Infrastructure from October 2018 to June 2019 TS Chanda - Acting Director Disaster Management from July 2018 to September 2018; and RC Lesar acted from October 2018 to June 2019 TM Mosebi - Acting Director Environmental Health from July 2018 to September 2018; and Matlakola acted from October 2018 to December 2018, and NP Tenza from April 2019 to June 2019

Related party balances

	2019	2018
Investment		
Dr Kenneth Kaunda Economic Agency	120	120

Key management information

Class	Description	Number
Executive Mayor	Executive Authority	1
Members of Mayoral Council	Executive Authority	6
Single Whip	Executive Authority	1
Chairperson of MPAC	Executive Authority	1
Councillors (Part time and directly elected)	Executive Authority	31
Speaker	Executive Authority	1
Municipal Managers	Key Management/ Accounting Officer	6

33. Prior period errors

Property, plant and equipment were depreciated expensed in prior year resulting in an overstatement of expenses and understatement of property plant and equipment

Value Added Tax; certain transactions were incorrectly classified for VAT purposes and these have bee corrected VAT allocated accordingly.

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

33. Prior period errors (continued)

Certain expenses were either overstated and/or undersated in 2018 and

The correction of the error(s) results in adjustments as follows: 2019

Statement of financial position		
Property, plant and equipment	-	24 167
Payables and Accruals	(236 704)	(1 078 185)
Receivables from exchange transactions	-	20 000
Opening Accumulated Surplus or Deficit	236 704	1 686 689
Statement of financial performance		
Depreciation expense	-	833
"General Expenses"	236 704	1 686 689

34. Comparative figures

Certain comparative figures have been reclassified as a result of Mscoa re-classification.

35. Risk management

Financial risk management

Liquidity risk

The municipality’s risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the municipality’s financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

35. Risk management (continued)

Capital risk management

The municipality's objectives when managing capital are to safeguard the municipality's ability to continue as a going concern in order to provide returns for member and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the municipality consists of cash and cash equivalents and equity as disclosed in the statement of financial position.
Consistent with others in the industry, the municipality monitors capital on the basis of the debt: equity ratio.
This ration is calculated as net debt divided by total equity. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the statement of financial position) less cash and cash equivalents. Total equity is represented in the statement of financial position.

There are no externally imposed capital requirements.

There have been no changes to what the municipality manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Financial instruments	**2019**	**2018**
Investments	-	2 250
Call Investment Deposits	18 000 000	6 000 000
Investment in associates	120	120
Receivables from exchange transactions	572 812	822 282
Receivables from non-exchange transactions	339 794	1 046 521
Bank balances and cash	15 423 920	3 761 418

36. Going concern

We draw attention to the fact that at 30 June 2019, the municipality had an accumulated surplus (deficit) of R 30 985 314 and that the municipality's total liabilities exceed its assets by R 30 985 314.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality and that the subordination agreement referred to in note XX of these annual financial statements will remain in force for so long as it takes to restore the solvency of the municipality.

37. Events after the reporting date

Disclose for each material category of non-adjusting events after the reporting date:

- nature of the event.
- estimation of its financial effect or a statement that such an estimation cannot be made.

38. Transactions with Councillors

The following remuneration was paid to Councillors during the year.

Municipal Councillors

Name	Salary	Travelling	Telephone	Medical & Pension	Sitting & Travel	Total
BE MOSIANE	734 255,40		44 400,00	125 215,58		903 870,98
DP MASIU	438 334,84	171 888,00	44 400,00	77 352,16		731 975,00
NM KOLOTI	440 165,40	161 143,50	44 400,00	43 294,14		689 003,04
MI MARTINS	376 151,90	161 148,00	44 400,00	107 303,07		689 002,97
M ZEPHE	383 652,30	161 148,00	44 400,00	99 802,71		689 003,01
MM MOJAHI	390 024,70	161 148,00	44 400,00	93 430,29		689 002,99
HH MBELE	390 024,70	161 148,00	44 400,00	93 430,29		689 002,99
ZE MPHAFUDI	445 605,10	161 148,00	44 400,00	37 849,92		689 003,02
SP VALIPATI	279 969,00	93 144,00	21 700,00	-		394 813,00
KL VAN ZYL	203 998,00	67 992,00	44 400,00	-		316 390,00
NG ADOONS	313 091,65	130 350,00	37 710,40	87 478,83		568 630,88
LN DAYIYA	173 398,30	67 992,00	44 400,00	30 599,67		316 389,97
SV LETSHWITI	173 399,00	67 992,00	44 400,00	30 598,97		316 389,97
BAS C CLOETE	203 998,00	67 992,00	44 400,00	-		316 390,00
LS MOTLOIWA	173 399,00	67 992,00	44 400,00	30 598,97		316 389,97
FJ BOTHA	173 398,30	67 992,00	44 400,00	30 599,67		316 389,97
WA MOSTERT	231 191,50		44 400,00	40 798,49		316 389,99
CJ COETZER					23 337,60	23 337,60
EM POSTMA					46 675,20	46 675,20
IM GROENEWALD					28 641,60	28 641,60
D GIWILI					37 128,00	37 128,00
AS MOTLADI					31 824,00	31 824,00
P MORULANE					1 020,00	1 020,00
HF SAUDI					33 945,60	33 945,60
B TABEDZ					47 736,00	47 736,00
SF DU TOIT					9 547,20	9 547,20
LS MOKGALAG					93 222,00	93 222,00
SL MOREMI					44 553,60	44 553,60
G MOSENOGI					56 773,12	56 773,12
K NDINCEDE					39 249,60	39 249,60
LL CUTSWA					62 587,20	62 587,20
SL MONDLANE					40 310,40	40 310,40
PZ LESOMO					49 431,36	49 431,36
LM LEBENYA					37 128,00	37 128,00
JJ LE GRANGE					28 641,60	28 641,60
GA MOHOEMANG					45 614,40	45 614,40
ME MOSWEU					45 614,40	45 614,40
AO PHUTIYAGA					37 638,10	37 638,10
MN NTULI					27 580,80	27 580,80
CJ BESTER					33 945,60	33 945,60
	5 524 057,09	**1 770 217,50**	**725 410,40**	**928 352,76**	**869 815,20**	**9 850 183,13**

39. Unauthorised expenditure

	2019	2018
Opening balance as previously reported	67 966 774	50 468 921
Opening balance as restated	**67 966 774**	**50 468 921**
Current year expenditure	-	17 497 853
Closing balance	**67 966 774**	**67 966 774**

40. Fruitless and wasteful expenditure

	2019	2018
Opening balance as previously reported	10 585 735	10 427 764
Opening balance as restated	**10 585 735**	**10 427 764**
Current year expenses	30 905	157 971
Closing balance	**10 616 640**	**10 585 735**

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

41. Irregular expenditure

Opening balance as previously reported	129 787 357	101 823 533
Correction of prior period error	(9 462 208)	-
Opening balance as restated	**120 325 149**	**101 823 533**
Add: Irregular Expenditure - current period	21 607 852	18 501 615
Closing balance	**141 933 001**	**120 325 148**

42. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Opening balance	(873 412)	(795 188)
Current year subscription / fee	873 412	795 188
Amount paid - current year	602 000	873 412
	602 000	**873 412**

Audit fees

Current year subscription / fee	3 495 564	3 063 964
Amount paid - current year	(3 495 564)	(3 063 964)
	-	-

PAYE and UIF

Current year subscription / fee	18 474 661	17 666 243
Amount paid - current year	(18 474 661)	(17 666 243)
	-	-

Pension and Medical Aid Deductions

Current year subscription / fee	19 724 416	11 075 411
Amount paid - current year	(19 724 416)	(11 075 411)
	-	-

VAT

VAT receivable	5 917 594	5 986 382

VAT output payables and VAT input receivables are shown in note .

All VAT returns have been submitted by the due date throughout the year.

Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the City Manager and noted by Council. The expenses incurred as listed hereunder have been condoned.

Notes to the Annual Financial Statements

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43. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the annual financial statements.

Buses and gym equipment were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations.